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ABSTRACT

This instructor guide for a unit on human resources in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 1 of learning--understanding the creation and operation of a business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The student module includes the following: specific objectives, questions supporting the objectives, complete content in the form of answers to the questions, case studies, individual activities, group activities, discussion questions, assessment questions, and list of four references. Model assessment responses are provided in the instructor materials. These four objectives are addressed: define human resource management; explain the importance of human resource management as it related to the success of a business; identify the various responsibilities that make up human resource management; and describe the obligations employers have to employees. (YLB)

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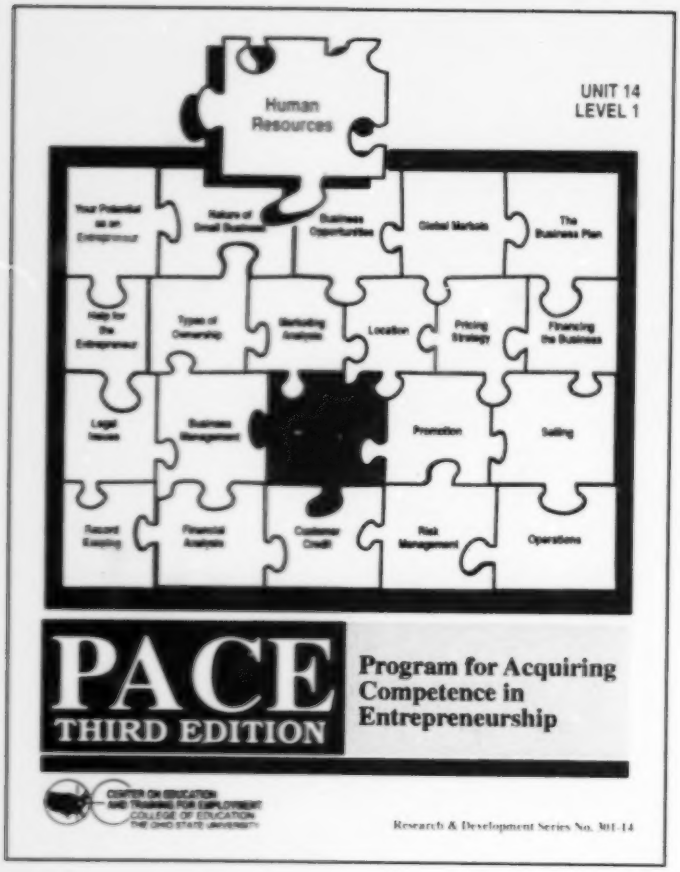


**INSTRUCTOR GUIDE**

**Unit 14**

# Human Resources

**Level 1**

## HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

## Objectives:

- Define human resource management.
- Explain the importance of human resource management as it related to the success of a business.
- Identify the various responsibilities that make up human resource management.
- Describe the obligations employers have to employees.

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| Objectives | Teaching Suggestions |
|---|---|
| 1. DEFINE HUMAN RESOURCE MANAGEMENT | |
| How is human resource management defined? | Ask students to define human resource management in their own words. At this point, the teacher should expect only a basic understanding of the concept. |
| 2. EXPLAIN THE IMPORTANCE OF HUMAN RESOURCE MANAGEMENT AS IT RELATES TO THE SUCCESS OF A BUSINESS | |
| Why is human resource management important for business success? | Use two examples to emphasize the importance of human resource management. One example should refer to good-quality management and professional, efficient personnel. The other example should point out why poor-quality human resource management projects a bad image for the business. |
| 3. IDENTIFY THE VARIOUS RESPONSIBILITIES THAT MAKE UP HUMAN RESOURCE MANAGEMENT | |
| What are the entrepreneur's responsibilities in human resource management? | Have a local small business owner discuss his/her responsibilities in performing human resource management functions. |
| What about hiring and placing new employees? | Use a table to summarize the entrepreneur's responsibilities related to hiring and placing new employees. |
| What about training new employees? | Open a discussion about what activities entrepreneurs must perform when training new employees. Highlight the importance of retraining in business. |
| What about orienting new employees? | Simply explain what employee orientation is and show the relationship between orientation programs and job assignments. |
| What about compensating new employees? | Have students give examples of compensation methods. Make a list with the students' suggestions and then complete the list with your own additions. |
| What about leading new employees? | The instructor should carefully clarify the activities involved in leading employees. Highlight the fact that supervision is closely related to understanding employees' behavior and performance, and effective business communication. |

| Objectives | Teaching Suggestions |
|---|---|
| What about motivating employees? | Ask the local entrepreneur to talk about that motivation programs he/she uses in managing human resources. |
| What about evaluating employees? | Refer to above suggestion. |
| What about building a relationship with employees? | Hold an open discussion on how entrepreneurs can establish reliable relationships with their employees. |
| What about the health and safety of employees? | Introduce the Occupational Safety and Health Act. Briefly list some important issues enacted by OSHA. Consult the local library to summarize the content of the act. |
| What about unions and small business? | Give a brief historical perspective of labor unions in the United States. Make students understand why these unions were so important in the past. Also, present new trends in labor union activity (i.e., the labor union activity diminished, the number of unions decreased, union-management interactions are critical today, etc.) |
| What about company sponsored employee groups? | Explain to students the importance of company-sponsored employee groups in organizations. Help students understand that social activities are a key factor in developing and maintaining reliable relationships between management and employees, and among employees themselves. |
| 4. DESCRIBE THE OBLIGATIONS EMPLOYERS HAVE TO EMPLOYEES | |
| What obligations do entrepreneurs have to their employees? | Refer to the Occupational Safety and Health Act to illustrate how this regulation relates to the entrepreneur's obligations to their employees. |

## MODEL ASSESSMENT RESPONSES

Human resource management is the process of managing a company's employees. It involves planning, organizing, staffing, training, directing, controlling, compensating, motivating, and evaluating the employees' work. Human resources are an expensive asset and directly affects business success. A large portion of the profits are used to compensate employees, whose work keeps the business running. The quality of employees' work projects the image of the company in the business community.

Planning involves activities developed by the entrepreneur prior to the hiring and supervising processes. The entrepreneur plans to determine whether additional workforce is needed, how many new employees are needed, what kind of qualifications they should have, and how to hire and supervise employees.

Organizing consists of orienting the newly hired employees and training them to do their jobs.

Controlling consists of assessing employees' work and rewarding them appropriately. Proper controlling ensures solid relationships with employees.

3. New employees' orientation programs involve: (1) an overview of the business, (2) the business's policies and procedures, and (3) specific job assignments.

4. Motivating people is an important aspect of leading employees. Motivated employees understand the quality and effectiveness of their work directly affect the firm's success.

5. According to the Occupational Safety and Health Act, an employer (1) must provide a reasonably safe and suitable workplace, as determined by the nature of work and the dangers common to that particular type of job; (2) must provide employees with safe and suitable tools, machinery, appliances and equipment; if dangerous machinery is used, appropriate safeguards must be taken and suitable training has to be provided to inexperienced workers; and (3) must ensure a staff that is large enough to handle the assigned work load.


**PACE**
**THIRD EDITION**

**Program for Acquiring Competence in Entrepreneurship**

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

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Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
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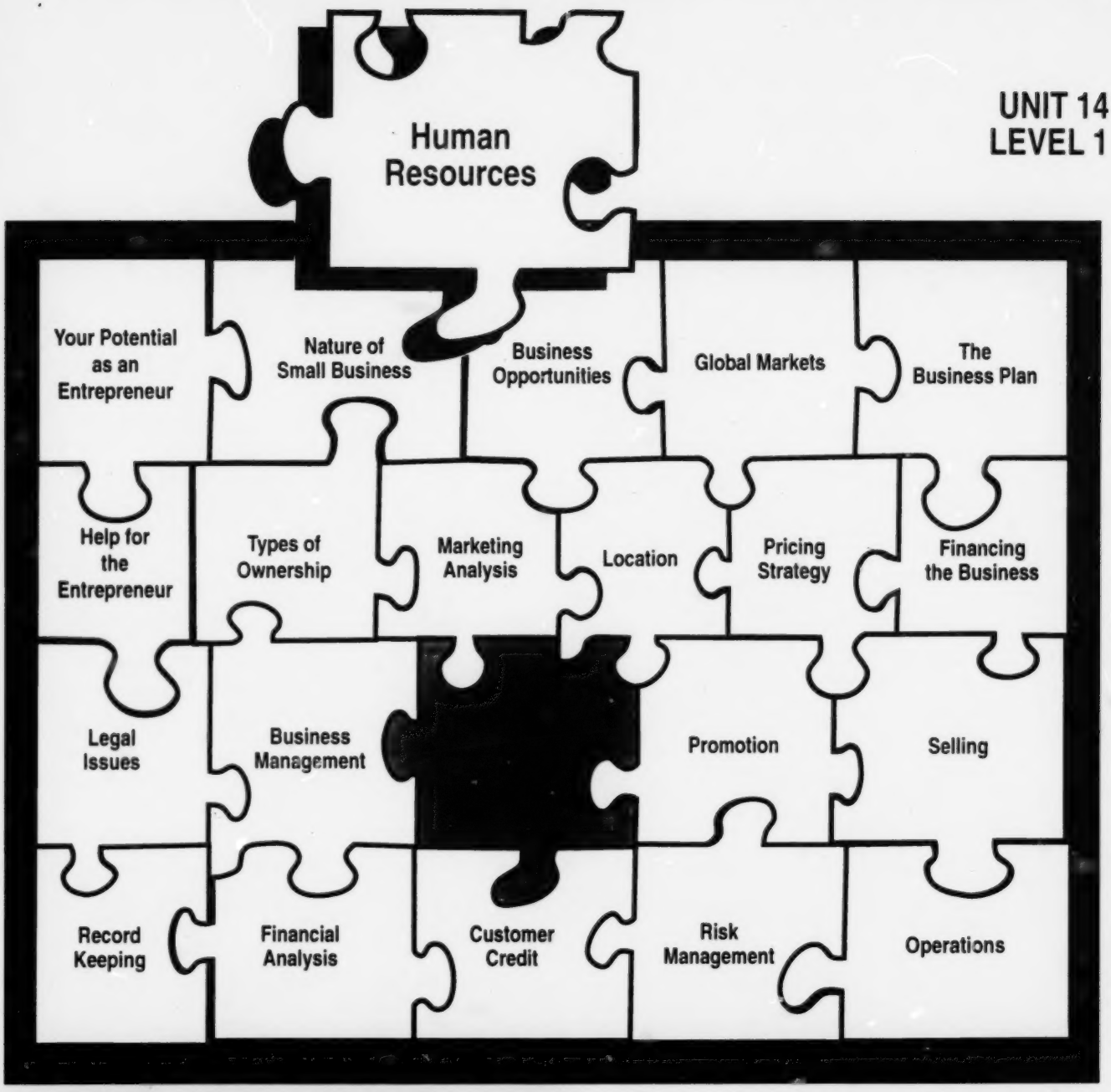
UNIT 14
LEVEL 1




# PACE
## THIRD EDITION

# Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY



Research & Development Series No. 301-14

# HUMAN RESOURCES

## BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

   Compensation
   Controlling
   Directing
   Evaluating
   Human Resource Management
   Managing
   Occupational Safety and Health Act (OSHA)
   Orientation
   Planning



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# HUMAN RESOURCES

## WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- define human resource management,
- explain the importance of human resource management as it relates to the success of a business,
- identify the various responsibilities that make up human resource management, and
- describe the obligations employers have to employees.

## WHAT IS THIS UNIT ABOUT?

Every business needs workers. When starting a new business, it is common to ask family members to work. As the business grows other workers may be needed. Because the success of a business frequently depends upon the productivity of the people doing the work, it is important to have good workers.

This unit is about working with people so that they will be productive employees. This is called *human resource management* (HRM). In this unit, you will learn about the importance of human resource management, the responsibilities of the entrepreneur in HRM, and the importance of HRM to the success or failure of the business.

## HOW IS HUMAN RESOURCE MANAGEMENT DEFINED?

The human resources of a business are its employees. Simply stated, human resource management is managing your employees. Although this may sound like a very simple thing to do, it is a very challenging part of being an entrepreneur.

*Managing* involves *planning, organizing, staffing, directing, controlling* and *evaluating*. In HRM you will be *planning* how to hire your employees and ensure that they do the job effectively. This means you must determine what kind of employees you need and how to select them. *Organizing* your human resources consists of orienting them to your business and training them to do their jobs. The *directing* step consists of

leading and motivating your employees so they will be productive. Finally, *controlling* and *evaluating* involves assessing the work of your employees and rewarding them appropriately. This also includes building a positive and enduring relationship with your employees.

Broadly defined, HRM involves all management decisions and practices that directly affect or influence the people who work for the business. These activities include planning, organizing, staffing, directing, controlling and evaluating all the activities that directly involve the employees and promote their activity.

## WHAT ARE THE ENTREPRENEUR'S RESPONSIBILITIES IN HUMAN RESOURCE MANAGEMENT?

Entrepreneurs have six major responsibilities in managing the human resources of their businesses. These are—

- hiring and placing new workers,
- training workers to be productive,
- compensating workers for their efforts,
- motivating workers to maintain and improve their performance,
- evaluating workers' performance, and
- building relationships with workers.

These responsibilities will be discussed in more detail in the following sections.

## WHAT ABOUT HIRING AND PLACING NEW EMPLOYEES?

Hiring new employees and placing them on the job are the first steps toward high employee morale. A key factor in the successful operation of any business is matching the right job to the right person. A procedure for determining the applicant's strengths must be developed and implemented. If you are sure that the employee is happy performing the job and feels good about his/her contribution, then you will have taken the first step toward building good employee relations.

Knowing what it takes to handle a job effectively will help you make sound hiring decisions. Learning where to locate prospective employees and how to measure their qualifications is also important.

## WHAT ABOUT TRAINING NEW EMPLOYEES?

After the applicant has been appropriately matched to the job, the employee may need some additional training. This training may be on the operation of a particular piece of equipment, or it may be intensive study in preparation for certification such as insurance sales. All training should be organized by identifying goals and objectives. The training should be provided by a person who has the skill, knowledge, and attitudes that the employee needs to learn.

Employees appreciate the opportunity to understand the business operations and to see how each job relates to the goals of the company.

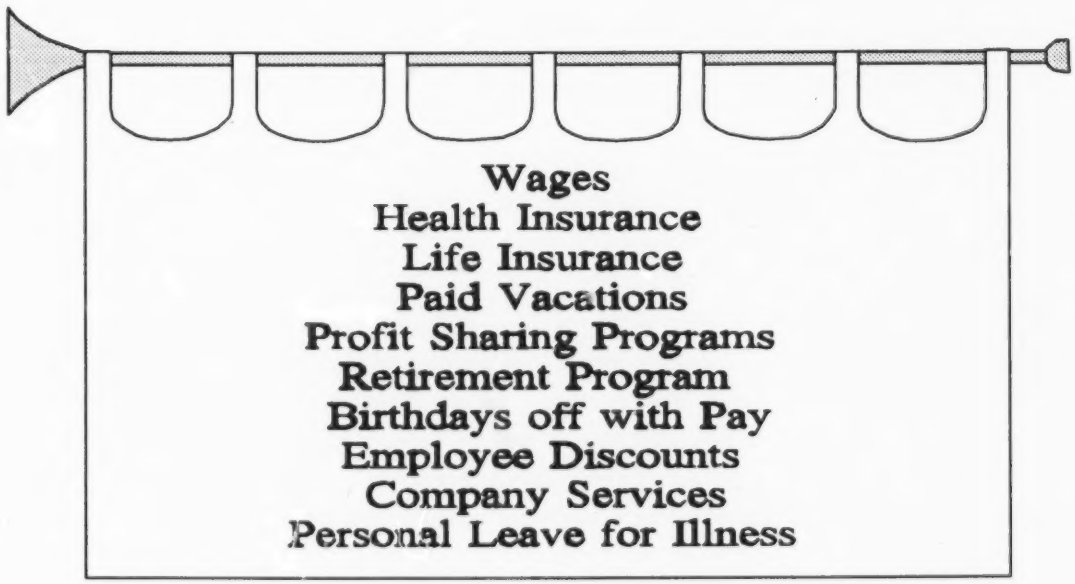
## WHAT ABOUT ORIENTING NEW EMPLOYEES?

A special type of training is *new employee orientation.* It is said that you never get a second chance to make a first impression. When it comes to someone who works for you, that first impression has strong and lasting effects. Orientation should not be seen as a process that must be tolerated but as an opportunity to make an investment that produces returns.

Typically, orientation programs involve an overview of the business, its policies, and procedures, and specific job assignments. These issues are certainly important. It is also valuable to show the new hire how his/her work will contribute to the success of the business. Well-oriented employees tend to be more satisfied, loyal, and productive. Consequently, both the business and the employee will benefit from an orientation program.

## WHAT ABOUT COMPENSATING EMPLOYEES?

All employees are concerned with the compensation that a company has to offer them.




Following is a list of different elements that may be included in a compensation package:

- Wages
- Health insurance
- Life insurance
- Paid vacations
- Profit sharing programs
- Retirement programs
- Birthdays off with pay
- Employee discounts
- Company parties for families
- Personal discounts on company products
- Personal leave for illness

You, as the employer, need to know what your competition is doing for their employees. Remember, you will probably be in competition for highly skilled individuals. You may lose a good prospective employee because you were not aware of what the other business had to offer. It will contribute to the success of the business if you are able to hire and retain good workers because the benefits you offer are competitive.

You will probably need to hire someone trained in payroll and record keeping. If you do not, you'll probably have to set a specific amount of your time aside each week to performing these activities. A working knowledge of the most current forms and practices required by federal agencies is a must. You will also need to be aware of all the records that must be maintained on each employee, such as records of hours worked, taxes paid by the business, taxes withheld from employee's pay and sent to the Internal Revenue Services (IRS), insurance paid, unemployment compensation paid, and profit sharing. (See PACE Unit 17, Record Keeping).

## WHAT ABOUT LEADING EMPLOYEES?

As the owner of the business, you are also the leader of your employees. They will naturally look to you for direction and inspiration. In small businesses there are usually few levels of management. Therefore, you probably will be your employees' immediate supervisor. You are responsible for seeing that they do their job effectively and efficiently. As a supervisor you will be giving orders, delegating authority, solving problems, and in general, making sure that your employees are productive.

An employee's job performance and behavior are greatly affected by communication. Therefore, you need to communicate with your employees in an effective manner. Effective communications assure an entrepreneur of having informed workers. Good communications can improve the image of the company when satisfied employees share their positive feelings with the community.

When you start your business, you will have many tasks to perform. Developing methods that you can use to communicate with your

employees may be one of the first items on your "must do" list.

be a key in your success as a supervisor, and will help your business grow and prosper.

## WHAT ABOUT MOTIVATING EMPLOYEES?

Besides communicating effectively, another important part of leading employees involves motivating them. People are not machines. They are not started in the morning by pushing a start button, nor turned off by throwing an off switch. Motivating your employees includes making your employees understand their value to the business and getting them to give a fair day's work for a fair day's wages *willingly*. Motivated employees will help your business prosper and grow. Motivating your employees to be productive may

## WHAT ABOUT EVALUATING EMPLOYEES?

Employee transfers, promotions, and terminations primarily involve employee evaluation. Employers need to be aware of each employee's performance on an ongoing basis. Regardless of the size of the business, all employees should be evaluated periodically. The results of that evaluation should be discussed with them.

In an evaluation program, goals should be set and a program should be established to help the employees reach those goals. This way company operations are established in an efficient, objective manner. Promotions and raises can be given out fairly. A good human resources program provides rewards, such as promotions and raises to persons meeting specific standards. On the other hand, evaluations should identify those employees who are not working up to company standards. It may become necessary to fire employees because they cannot perform the job in an acceptable manner. A comprehensive evaluation plan will provide defensible grounds for such terminations.

Employee evaluations also serve to motivate and improve performance of employees. A performance evaluation can assist in clarifying workplace roles and providing needed direction. Unclear roles in the organization produce performance anxiety in employees and makes it difficult for them to produce at a high level.

## WHAT ABOUT BUILDING A RELATIONSHIP WITH EMPLOYEES?

For the small business owner, developing a harmonious relationship with employees is vital. Good employees are hard to find. Therefore, an entrepreneur, after finding and developing good employees, must work hard in building a relationship with them. Three areas of employee relations involve health and safety, union, and company-sponsored groups.

## WHAT ABOUT THE HEALTH AND SAFETY OF EMPLOYEES?

In 1970, the *Occupational Safety and Health Act* was put into action. The Act requires employers to be responsible for providing a safe and healthful workplace.

One out of every eight workers has a work-related illness or accident each year. Safety training should be provided to your employees in an effort to reduce accidents. This training can take the form of intensive training sessions, weekly meetings, or placing signs in areas where accidents might occur, or when extra caution should be taken.

An area in your business should be set aside for employees with health problems. The public health department of your county or city will assist you with this. The area should include space where an ill employee can lie down. Minor medical supplies should be readily available, as well as information on where to reach medical assistance in case of emergency.

## WHAT ABOUT UNIONS AND SMALL BUSINESS?

Small businesses are less likely to be unionized than large businesses. On the other hand, small businesses in certain industries such as printing, manufacturing, trucking, and construction, are likely to have union contracts. Small businesses located in heavily industrialized areas are also more likely to be unionized. This is because some union

manufacturers require that the companies that supply to them must also be unionized.

Many entrepreneurs seem to have strong feelings against unionization. Often entrepreneurs perceive activities on the part of their employees to unionize as a personal insult. They believe only a few of their employees are unhappy or that "outsiders" (presumably nonemployees) have created dissatisfaction among the workers.

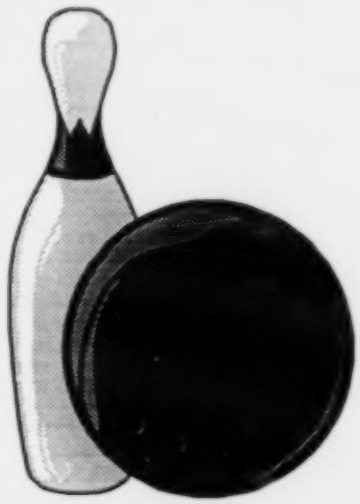
Employees may become members of a union for a variety of reasons including the desire for better economic and working conditions, the desire to have control over benefits, and the desire for self-expression. At times, employees organize simply because they believe their interests and those of management are different.

The presence of a union need not be regarded negatively. Many small businesses enjoy cooperative, positive relationships with unions.

## WHAT ABOUT COMPANY-SPONSORED EMPLOYEE GROUPS?

Company groups help employees get acquainted with other employees. Workers get to know their coworkers in a different light away from the business. Company-organized groups may be classified as those that are either socially-oriented or company-oriented. The socially-oriented organizations are the bowling and golf leagues, the softball or basketball teams, and bridge or personal computer clubs. Or, it may be a team of employees who work together to organize a company party or event.

The company-oriented groups are those with company-related objectives. For example, an inventors' club in a manufacturing company includes the designers and engineers who have invented mechanisms for the firm. Another example is an investors' club whose members are involved in making investments in either their own company or in another company. Members of the investors' club become familiar with the activities the employer goes through to make a profit on capital.



## WHAT OBLIGATIONS DO ENTREPRENEURS HAVE TO THEIR EMPLOYEES?

Your employees are an important part of your business. You may employ salespeople, custodians, secretaries, production workers, supervisors, and so on. Regardless of occupation, certain basic employment

guidelines are established by law. In order to have a successful business, you need to be responsive to these guidelines. Here are the guidelines you need to follow:

- **You must provide a reasonably safe and suitable place for employees to perform their jobs.** What constitutes a reasonably safe and suitable place should be determined by the nature of the work and the dangers that are common to that particular job. An employee should not be exposed to undue risks and dangers.

- **You must provide your employees with safe and suitable tools, machinery, and appliances to use in completing their assigned jobs.** If dangerous machinery is used, appropriate safeguards must be taken. You must instruct inexperienced employees on the use of dangerous machinery and the risk involved in careless use.

- **You must have a work staff that is large enough to handle the work load.** Nothing will ruin your employees' work attitudes faster than being assigned more work than they can complete.

## WHY IS HUMAN RESOURCE MANAGEMENT IMPORTANT FOR BUSINESS SUCCESS?

Have you ever encountered an unpleasant and uncooperative salesperson, receptionist, secretary, or other employee? Most of us have, and it was not an enjoyable experience. In fact, you may have decided not to do business there again. Perhaps you actually complained about the person to his/her supervisor.

Do you think the business owner wanted the employee to treat you this way? Of course not. Employees that have direct contact with customers are the business from the viewpoint of the customer. That is, in the mind of the customer the image of the business is based on the appearance and actions of the employee. A polite, helpful, and neatly groomed employee makes a good impression for a business. On the other hand, a rude, unhelpful, and unkempt employee causes the customer to think, "What kind of business would hire someone like this?"

Of course, other employees also have a great deal to do with the success or failure of a business. The dishwasher who fails to clean the eating utensils carefully, the custodian who streaks the display window, and the production worker who attaches a part carelessly—all cause customer dissatisfaction or project a bad image for the business.

Another reason why managing your human resources is so important is that they are a *valuable* and *costly* resource. Since many small businesses must use a large part of their profits to pay employees, entrepreneurs want to get their money's worth. Employees who do not produce are a financial drain on the business. People are a resource that must be managed with the same care and precision that money is managed.

In general, human resources management is important because of its direct and indirect effects on the success of your business. Without productive employees, it is difficult for a business to succeed. Effective management of human resources contributes to the

success of the business in the following ways:

- Image
- Productivity
- Maximizing resources
- Effective use of employees' skills

Effective human resources management is emphasized through the following points:

- The firm's employees, especially the most qualified ones, can get comparable, if not better, jobs with other employers.
- When a firm faces a scarcity of supervisory and specialized personnel with adequate experience and job capabilities, it has to train and develop its own people.
- The cost of hiring and training employees at all levels is increasing. For instance, hiring and training a salesperson can cost several thousand dollars. A mistake in hiring, or slow and inefficient methods of training can be costly.
- Most employees, whether or not they are represented by labor unions, continue to seek improvements in salary, employee benefits, and working conditions. All employee compensation must be based on what the firm can afford, must comply with current practices of other employers, and must be understood and accepted by the employees. To do all this, employee policies and operating procedures should be thought about and developed carefully.
- Just because your business offers competitive salaries, benefits, and working conditions doesn't mean that all your employees will do good work. In addition to these financial or physical compensations, employees need responsibility, the opportunity to develop new skills, or some recognition of accomplishment in their jobs.

In order to be successful, a business must have a capable, motivated, and well-trained work force. In other words, *people make the difference*. The famous industrialist, Andrew Carnegie, supported this thought when he stated, "Take away all our factories, our trade, our avenues of transportation, and our money, but leave the organization, and in four years, I will have reestablished myself."

Although the owner of a small business is responsible for the effective use of all the resources within the company, it should be noted that this is accomplished only through the *people* who work *in the organization*. Competent people are usually the difference between a successful and unsuccessful business.

## ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

## INDIVIDUAL ACTIVITIES

### A.

On a sheet of paper list the major responsibilities that an entrepreneur has in human resource management. List the responsibilities in order (in your opinion) from most to least important. For each responsibility discuss *why* you feel each is important.

### B.

In writing, identify various methods an entrepreneur could use to communicate with employees. Describe the benefits of each different technique.

## GROUP ACTIVITIES

### A.

**BRAINSTORMING**

Divide into small work *teams* of three to four students. Appoint one individual from each group to *facilitate* (lead) the brainstorming. Talk about the characteristics of a good employee. Determine what you as an entrepreneur would look for in a prospective employee. Ask those students who have had jobs to tell you what they know employers want. On the other hand, discuss what they look for in a good employer. As a result of the discussion develop the following:

- A list of good employee characteristics
- A list of good employer characteristics
- A group statement that explains how the two lists of characteristics affect each other.

Each group should record its findings on a flip-chart and make a report to the class on its discussion results. Use the flip-charts from each *team* to make comparisons and to develop one complete list.

### B.

This activity involves organizing a student debate. Divide the class into two teams of students. The debate will focus on the following question.

**"Which do you feel is more important, the employer's obligations to the employees or the employees' responsibility to the employer? And why?**

Team A should support the employees point of view and Team B will support the employer's point of view.

## CASE STUDY

Theresa Martinez has opened a take-out restaurant business featuring authentic Mexican food. For the first couple of months, she and her family handled everything from cooking to cleaning to running the cash register. However, because her husband has another full-time job and her children attend school, Theresa has realized she needs to hire some more help.

Theresa's feeling about adding new employees is not good. She does not like the idea of "giving money away." But, because it is very clear to everyone that they must have more help in order to stay in business, Theresa gives in. She also thinks that all she has to do is put a help-wanted sign in the window and hire the first person that walks in. Theresa is not aware of the concept of *human resource management.*

## DISCUSSION QUESTIONS

1. Explain to Theresa what human resource management is and why it is important to the success of her business.

2. Describe to Theresa why hiring new employees is an *investment* in the success of her business and not "giving money away."

3. List for Theresa the obligations she will have to her new employees.

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## ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Define human resource management and explain why you think it is important to the success of your business.

2. Describe the roles of each of the following in human resource management:

   - Planning
   - Organizing
   - Controlling

3. What three activities typically make up the orientation to a new job?

4. Explain the benefits of having motivated employees.

5. What is the responsibility of the employer according to the Occupational Safety and Health Act of 1970?

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# PACE


Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
Unit 13. Business Management
⇨ Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide


Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business